

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

PROPOSED ADJUSTMENT OF THE WHOLESALE)
WATER SERVICE RATES OF THE CITY OF) CASE NO. 2012-00501
BRANDENBURG, KENTUCKY)

ORDER

The City of Brandenburg, Kentucky ("Brandenburg"), a city of the fifth class,¹ has filed notice with the Commission of a proposed increase of approximately 65 percent in its rates for wholesale water service to Meade County Water District ("Meade District") effective November 20, 2012.² Meade County Water District objects to the proposed rate adjustment and requests an investigation into the proposed rate revision.³

KRS 278.200 provides:

The commission may, under the provisions of this chapter, originate, establish, change, promulgate and enforce any rate or service standard of any utility that has been or may be fixed by any contract, franchise or agreement between the utility and any city, and all rights, privileges and obligations arising out of any such contract, franchise or agreement, regulating any such rate or service standard, shall be subject to the jurisdiction and supervision of the commission, but no such rate or service standard shall be changed, nor any contract, franchise or agreement affecting it abrogated or changed, until a hearing has been had before the commission in the manner prescribed in this chapter.

¹ KRS 81.010(5).

² Letter from David W. Pace, Mayor, City of Brandenburg, to Jeff Derouen, Executive Director, Public Service Commission (Sept. 20, 2012).

³ Letter from Douglass Cornett, Chairman, Meade County Water District, to Jeff Derouen, Executive Director, Public Service Commission (Oct. 29, 2012).

The Kentucky Supreme Court has interpreted this statute as requiring that, before a city may change or revise a rate that it assesses a public utility for utility service, a hearing on the proposed change or revision must be held before the Commission.⁴

Finding that further proceedings are necessary to determine the reasonableness of the proposed rules, that KRS 278.200 prohibits any change in the rate or service standard in a contract between a city and a utility without a hearing before the Commission, and that Meade District's intervention is likely to present issues or to develop facts that will assist the Commission in fully considering the matter without unduly complicating or disrupting this proceeding, the Commission HEREBY ORDERS that:

1. This proceeding is established to determine the reasonableness of Brandenburg's proposed wholesale rate revision.

2. Meade District shall be entitled to the full rights of a party and shall be served with a copy of all Commission Orders and all documents filed by any party to this proceeding.

3. Brandenburg shall not take any action to charge the proposed revised wholesale water rate until obtaining Commission approval.

4. To the extent permitted by law and consistent with KRS 278.200, Brandenburg's proposed revised wholesale rate is suspended from November 20, 2012 up to and including April 19, 2013.

5. The procedural schedule set forth in Appendix A to this Order shall be followed.

⁴ *Simpson County Water District v. City of Franklin*, 872 S.W.2d 460 (Ky. 1994).

6. Brandenburg shall file with the Commission no later than January 15, 2013 an original and five copies of the information listed in Appendix B to this Order. Brandenburg's response shall comply with the provisions of ordering paragraph 7 of this Order.

7. a. All responses to requests for information shall be appropriately bound, tabbed and indexed and shall include the name of the witness who will be responsible for responding to the questions related to the information provided, with copies to all parties of record and five copies to the Commission.

b. Each response shall be under oath or, for representatives of a public or private corporation or a partnership or association or a governmental agency, be accompanied by a signed certification of the preparer or person supervising the preparation of the response on behalf of the entity that the response is true and accurate to the best of that person's knowledge, information, and belief formed after a reasonable inquiry.

c. A party shall make timely amendment to any prior response if it obtains information that indicates that the response was incorrect when made or, though correct when made, is now incorrect in any material respect.

d. For any request to which a party fails or refuses to furnish all or part of the requested information, that party shall provide a written explanation of the specific grounds for its failure to completely and precisely respond.

8. Any party that files written testimony shall file with the Commission an original and five copies. Written testimony shall be in verified form.

9. The parties shall consider any request for information from Commission Staff as if ordered by the Commission.

10. Service of any document or pleading in paper form shall be made in accordance with 807 KAR 5:001, Section 3(7). Service upon a party shall be considered completed upon delivery of the document or pleading to the party or upon mailing the document or pleading to the party's address of record.

11. Any party filing a document or pleading with the Commission shall serve such document or pleading upon all other parties to this proceeding.

12. Any document or pleading that a party serves upon the other parties to this proceeding shall also be filed with the Commission.

13. At any hearing in this matter, neither opening statements nor summarization of direct or rebuttal testimony shall be permitted.

14. Direct examination of witnesses shall be limited to the authentication and adoption of that written testimony. No summarization of written testimony by the witness shall be permitted.

15. Witnesses who have filed written direct and rebuttal testimony shall present that testimony at the same sitting. Opposing parties may cross-examine such witnesses on both direct and rebuttal testimonies.

16. Nothing contained herein shall prevent the Commission from entering further Orders in this matter.

By the Commission

ENTERED
NOV 19 2012
KENTUCKY PUBLIC
SERVICE COMMISSION

ATTEST:



Executive Director

Case No. 2012-00501

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2012-00501 DATED NOV 19 2012

- An informal conference shall be held at the Commission's offices in Frankfort, Kentucky for the purpose of discussing case procedure, the possibility of settlement, the simplification of issues, and any other matters that may aid in the handling or disposition of this case, beginning at 10:00 a.m., Eastern Standard Time, on 12/14/2012
- Brandenburg shall file its response to the Commission's request for information, which is set forth in Appendix B, no later than 01/15/2013
- Intervenors and Commission Staff shall serve their first set of requests for information upon Brandenburg no later than 01/29/2013
- Brandenburg shall file with the Commission and serve upon all parties of record its responses to the first set of requests for information no later than..... 02/11/2013
- Intervenors and Commission Staff shall serve their second set of requests for information upon Brandenburg no later than..... 02/22/2013
- Brandenburg shall file with the Commission and serve upon all parties of record its responses to the second set of requests for information no later than..... 03/08/2013
- Intervenor testimony, if any, shall be filed with the Commission and served upon all parties of record in verified prepared form no later than..... 03/18/2013
- Parties and Commission Staff shall serve requests for information upon Intervenors no later than..... 03/28/2013
- Intervenors shall file with the Commission and serve upon all other parties of record their responses to requests for information no later than..... 04/11/2013
- An informal conference shall be held at the Commission's offices in Frankfort, Kentucky for the purpose of considering the possibility of settlement, the simplification of issues, and any other matters that may aid in the handling or disposition of this case, beginning at 10:30 a.m., Eastern Daylight Time, on 04/17/2013

Public Hearing is to held at the Commission's offices at 211 Sower
Boulevard, Frankfort, Kentucky, for the purpose of cross-examination
of witnesses..... To Be Announced

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2012-00501 DATED NOV 19 2012

1. Provide, in written verified form, the direct testimony of each witness that Brandenburg intends to call at the scheduled hearing in this matter.

2. Provide the independent auditor's reports for Brandenburg's water and sewer operations for the fiscal years ending June 30, 2010, June 30, 2011, and June 30, 2012.

3. a. State the test period upon which Brandenburg bases its proposed rate adjustment.

b. Explain why this test period was chosen.

4. Provide the general ledgers for Brandenburg's water and sewer operations for the proposed test period and the most recently concluded fiscal year. These general ledgers shall include all check registers and spreadsheets used to record and track financial transactions.

5. For each outstanding revenue bond issuance related to Brandenburg's water and sewer operations:

a. Provide the bond ordinance or resolution authorizing the issuance of revenue bonds;

b. Provide an amortization schedule; and

c. Provide a detailed explanation of why the debt was incurred.

6. List all persons on Brandenburg's payroll during the proposed test period. For each employee, state his or her job duties, total wages paid during the fiscal year,

current salary or wage rate, and the percentage of work hours spent performing duties for each city division (e.g., water, sewer, police department, public works) during the fiscal year. If Brandenburg's records do not permit the allocation of an employee's work hours among city divisions, provide an estimate for each employee and explain how Brandenburg derived the estimate.

7. For each employee listed in Item 6, describe how Brandenburg allocated his or her payroll and payroll-overhead charges to each city division for the proposed test period. This response shall include a detailed explanation of all allocation procedures. Payroll-overhead charges include payroll taxes, health insurance premiums, pension costs, and any other employee benefit costs.

8. a. List all joint or shared costs that Brandenburg incurred during the proposed test period. For each cost, list the vendor, total expense amount, amounts allocated per division, and the basis for allocation.

b. Describe the procedures to allocate joint and shared costs among Brandenburg's divisions for the proposed test period.

c. Provide all internal memorandums, policy statements, correspondence and documents related to the allocation of joint and shared costs.

9. Provide detailed depreciation schedules for Brandenburg's water and sewer divisions. A separate schedule shall be provided for each division.

10. Provide an adjusted trial balance and audit adjustments for the proposed test period and the most recently completed fiscal year. The trial balance shall be traced and referenced directly to the general ledgers requested in Item 4.

11. Provide the "Enterprise Funds Uniform Financial Information Report" that Brandenburg submitted to the Kentucky Department of Local Government for the fiscal years ending June 30, 2010, June 30, 2011, and June 30, 2012.

12. a. Complete the table below:

Water Main Size	Total Miles Of Line	Miles Of Lines Jointly Used By Brandenburg and Its Wholesale Customers
16"		
14"		
12"		
10"		
8"		
6"		
4"		
2"		

b. Identify the persons or entities that paid for the water main(s) that Brandenburg uses to deliver water to Brandenburg's wholesale customers.

c. Identify the other wholesale customers besides Meade District, if any, who are served from the water mains that Brandenburg uses to deliver water to Meade District.

d. For each customer listed in response to Item 12(c), provide its monthly water usage for each of the previous 24 months.

13. a. State the maximum capacity of Brandenburg's water treatment plant.

b. (1) State the amount of Brandenburg's total water treatment plant capacity that is currently reserved for Meade District.

(2) List and describe all changes, if any, that Brandenburg expects within the next three years in the level of water treatment capacity reserved for Meade District.

14. a. Identify the entity that owns the master meter(s) through which Brandenburg provides water to Meade District.

b. State the number of master meters that Brandenburg uses to provide water service to Meade District.

c. State the entity that is responsible for maintaining these master meters.

15. Provide a system map showing all of Brandenburg's facilities that are used to serve the customers listed in Item 12(c).

16. State the portion, if any, of Brandenburg's water main(s) that serve the customers listed in Item 12(c) are gravity fed.

17. For each month of the previous 36 months, state Brandenburg's water sales (in gallons) to:

- a. Meade District; and
- b. Brandenburg's retail customers.

18. Complete the table below:

City of Brandenburg	Gallons for Test Period	Gallons for Fiscal Year Ending June 30, 2012
Plant Use		
Line Loss (Unaccounted for)		
Sales to Retail		
Sales to Meade District		
Sales to Other Wholesale Customers		
Total Produced and Purchased		
Total Sold		

19. a. State whether Brandenburg provides unmetered water service to any entities (e.g., service to municipal buildings, fire departments or protection services).

b. If unmetered service is provided, then for each type of service, estimate the percentage of the total unmetered amount.

20. Provide Brandenburg's current rate schedule for its retail customers and for each of its wholesale customers.

21. Provide the cost-of-service study, if any, upon which the proposed rates are based.

22. a. Identify the person who prepared the cost-of-service study upon which the proposed rates are based.

b. Provide the preparer's *curriculum vitae*.

c. List all cases before the Commission in which the preparer has submitted a cost-of-service study.

d. List all utilities (municipal or public) for which the preparer has prepared a cost-of-service study. For each utility, identify the type of utility service (water or sewer) for which the report was prepared.

23. Provide the ordinance or resolution of the Brandenburg City Council in which the proposed wholesale rate adjustment was approved.

24. Provide the minutes of each meeting of the Brandenburg City Council since January 1, 2011 in which a proposed rate adjustment to Brandenburg's wholesale customers was discussed.

25. Provide a copy of all correspondence, electronic mail messages, or other written communications between Brandenburg and its wholesale customers since January 1, 2012 regarding revisions to Brandenburg's wholesale rate.

26. Provide all contracts for water service between Brandenburg and Meade District that have not been filed with the Commission.

Doug Cornett
Chairman
Meade County Water District
1003 Armory Place
P. O. Box 367
Brandenburg, KY 40108

Hon. David W Pace
City of Brandenburg
P.O. Box 305
Brandenburg, KENTUCKY 40108